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ARIZONA CORPORATION COMMISSION

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JUN 24 2003

Mr. Lawrence V. Robertson
Munger Chadwick, P.L.C.
333 North Wilmot, Suite 300
Tucson, Arizona 85020-2634

DOCKETED BY

CAR

RE: Certificate of Environmental Compatibility for the Mesquite Project
(Docket No. L-00000-00-0101; Case No. 101; Decision No.63232)

Dear Mr. Robertson:

This letter follows up the phone conversation Jason Gellman and I had with you on June 17, 2003, in regards to the above noted Certificate of Environmental Compatibility (CEC) compliance issues. I shared with you my discussion with Marty Swartz, Project Manager, on June 16, 2003, regarding these compliance issues. I acknowledged to him the receipt of documents filed by him in the Docket Control in February 2003, in response to Condition Nos. 6 and 7 of the CEC (executed interconnection agreement and a copy of the WECC Reliability Management System Generator Agreement). He had informed me that the Company had also filed the annual report in Docket Control earlier this year in response to Condition No. 12 of the CEC, describing the status of implementation of the Comprehensive Land Management Plan. I pointed it out to him that, to my knowledge, the Applicant had not complied with CEC Conditions No. 4 (submission of Technical Study before commercial operation); No. 5 (demonstrating satisfaction of WECC (N-1) criteria without any remedial action); and No. 8 (participation in the Southwest Reserve Sharing Group). You said you were going to look into these compliance issues and get back with us soon.


In our discussion, it was pointed out that, according to the referenced Commission Decision, the Findings of Fact No. 5 states, "... Mesquite has agreed to have wholesale power available during peak periods, during the first two years following commercial operation, for sale to Arizona customers in open market, arms-length transactions." As I learned from Marty Swartz, the output of the First Block (440 MW) was being sold to the California Department of Water Resources (CDWR). Please provide the date the contract was signed by CDWR and why Sempra chose to not bid in the Track "B" competitive solicitation process. Please explain how the contract complies with the referenced Findings of Fact No. 5.

Although not required as a condition in the CEC, Mesquite is requested to provide information in the form of an annual certification letter to the Commission showing status of compliance with all conditions in its CEC, as has been required by the Commission in CEC's approved by the Commission since January 3, 2002. Please advise when you intend to do so.

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Your response to the above questions and the Applicant's compliance status with the
aforementioned conditions by July 1, 2003, would be much appreciated.

Sincerely,



Prem Bahl
Electric Utilities Engineer
Utilities Division

PKB:hml

cc: Marty Swartz
Semptra Energy Resources
101 Ash Street
San Diego, CA 92101

Jason Gellman
Brian Bozzo
Case No. 101 File

bcc: Steve Olea
Del Smith
Jerry Smith